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EXPERIMENT STATION FILE

Discussion

DA410

Discussion Series A

Leaflet No. 10

WHAT KIND OF LAND PRICES WOULD BE BEST

FOR AGRICULTURE? FOR THE NATION AS A WHOLE?

Recently a farm was sold for \$100 an acre. In 1919 that farm was sold for \$400 an acre. Many parts of the country have had their land booms, followed by painful readjustments to lower values. Many farmers have had the idea that land is the best form of investment that can be found anywhere, and have put all their funds into it. "Under all, the land," has been a watchword. Yet extreme swings in prices of land have brought with them great problems for farmers. Although some men could sell out at a very high price, others who bought at a high price spent the rest of their lives in misery, because they didn't have enough income to pay for the land. Within the past year there have been two important developments; first, there has been much evidence that farmers and others are again buying land at advancing prices; second, there has been a good deal of questioning as to what is a fair price for land, as to whether action should be taken, if possible, to prevent another boom, as to the kind of prices for land which are best for the farmers in the long run.

WHAT ARE YOUR ANSWERS?

What important changes in the prices of farm land have taken place in your community during the past two years? During the past six years? During the past twenty years?

What do you think has caused land prices to swing low or high in your neighborhood?

In what ways have farmers benefited or suffered from land booms?

Do you believe that farm land should be zoned for particular uses just the way city land is zoned?

Should efforts be made to control land booms in the future, or not?

Will land prices automatically keep in line with farm prices?

What do you think would be the best governmental policy with regard to land prices?

SOME PROS AND CONS

I.

"Efforts to limit land prices in any way are the last thing this nation should attempt to do. Free and unrestricted access to and management of the land by the families of the nation is the main reason why we have a unique place among the people of the world. To tamper with the individual's right to buy or to sell his land as he pleases at prevailing prices, no matter how high or how low, is to tamper with the heart of American civilization.

"Land prices follow prices of farm products. When wheat sells for \$2.20 a bushel it is natural that farm land should sell for a good deal more than when wheat sells for a dollar a bushel. When cotton sells for twenty cents a pound, you expect the land on which it is grown to sell for a good deal more than when cotton sells for five cents a pound. Farm owners have the right to sell their land when prices are high, in order to make a profit. Buyers must take the risk in making the purchase. In a free market, the buyer need not take the land if he is not satisfied with the price. Once having taken the land, the buyer should blame no one but himself.

"Farm land is different from city land. It should never be subject to zoning or any other kind of restriction that cities are accustomed to. Cities have to zone. They would have chaos if they did not, when population is in congested areas. But farms provide homes for families. The land in farms does not need the same kind of control that cities have.

"Of course, there will be cases of suffering and bankruptcy and other difficulties when land booms break. But to interfere in any way with the free sale and use of farm lands would be more damaging to the country than to have individuals suffer because of their own mistakes of judgment."

II.

"Public ownership of all the land is what is needed, and all the other proposals are only fiddling around with the problem. There is no use talking about graduated taxes on large enterprise, or efforts to control land booms. These would be inadequate or half hearted efforts at best. Land is the nation's greatest and most valuable resource. Land is the basic heritage of all the people, and today it should belong to all the people and to no one else.

Individual ownership of lands, no matter how widely distributed, always gives an opportunity to those who want to buy up and monopolize valuable lands. Land speculation, rural slums and rural insecurity, can all be eliminated only by the government owning all the lands.

"Public ownership of all lands may seem drastic to many people, but it is the only thorough course. Some land is already owned by the governments. School districts, counties, states and the nation own much land. All we need do is extend what we have already done. Public ownership would in the twinkling of an eye do away with all the evils of landlordism, which is more of a handicap to the American farmer than any one person knows. It would do away with unearned increments in land, and the speculation in land that has never helped the farmer. It would mean that the lands would be occupied by those who put them to good use. It would be the solution not only of the land price problem, but of the entire land problem."

III.

"Zoning of land would tend to put it to its best use, and would give some indirect and limited influence to prices, just as has been the case in cities. In the cities, land zoned for business use may sell for more per acre than land for residential uses not very far away. When people know what the land is zoned for, they can be better judges of its use, and what they should pay for it.

"Zoning of farm land should obviously begin with the poorest and the submarginal tracts. Some limited experiments have already been begun, with marked success. They have been made with newly settled areas. Some counties have been divided into three areas: one for forestry, one for recreation, one for unrestricted use. Others have been divided into only two areas: forestry and unrestricted. The aim has been to reduce tax delinquency and government expense. The zoning has restricted all new settlement to the more desirable lands, on which families have a better chance to get started.

"Zoning of this sort represents a beginning in public control over land, and indirectly and in a limited way over prices. The method also promises much for the future, and is thoroughly in accord with the American experience in cities."

IV.

"Land prices could be influenced by a graduated land tax that favored the family sized farm. This would mean that the large scale enterprise would have to pay a relatively heavier tax than the individual operator. So important is the small family-sized farm in promoting the national welfare that the nation could well afford this step. The farm is the best home for families that the race has ever yet discovered. On the farm the economic forces operate to keep families secure. The farm is not subject to the same extent to the

disintegrating forces that destroy personality in the cities.

"Especially the corporation-operated farms should pay a heavier tax than the individual operator. They have certain advantages of capital, large scale buying, large machinery, etc. They would only be put on an equal footing with the small farm, if they had to pay a heavier tax per acre than the individual producer. The policy of the states and the nation should therefore be to do everything they possibly can to encourage small holdings and operations in farming."

V.

"The states should take steps to control land booms in a systematic way. The total effect of the boom is destructive. Buyers are misled. Sellers often get their land back because buyers are unable to meet their contracts. An orderly market for farm land is just as desirable as an orderly market for farm products. The need for stability throughout the economic system is being increasingly recognized. The states should therefore begin to take steps to stabilize the farm land market, before another boom develops, and speculation gets under way.

"If states can control the price at which milk can be sold, and a good number of them are already doing it, they can also control the prices at which land can be sold. They would need to set up an agency or empower an existing agency to have the necessary functions. This agency might function through county advisory boards, made up of farmers and other experienced people who know fair values of farm land over periods of years. This state agency might advise the people as to what mature judgment indicated were the fair prices of land. Or, it might have power to establish prices for certain grades of land and to enforce them. The public interest would seem to require some such step, if prices of farm land are to be kept within reasonable bounds."

VI.

"Efforts to control the price of land directly are a mistake. They deal with a symptom rather than the disease itself. What we need is a stable price level for the commodities that are raised on the land, and then land values will take care of themselves. As a matter of fact, whether land values are low or high makes much less difference to the farmer than whether they are steady. And the ups and downs of land prices can only be satisfactorily leveled out by leveling the ups and downs of the prices of farm products."

MORE ABOUT LAND PRICES

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